

DELAWARE HEALTH FACILITIES AUTHORITY
MINUTES OF SPECIAL MEETING

of

November 16, 2009

A special meeting of the Delaware Health Facilities Authority (the "Authority") was held on November 16, 2009, commencing at 10:00 a.m., at the offices of Potter Anderson & Corroon LLP at 1313 N. Market Street, Wilmington, Delaware 19801.

The following Authority Members attended: Rolf F. Eriksen, Chair, William G. Neaton, Howard A. Palley, Ph.D., Lisa More, and William J. Riddle. Also participating in the meeting from Potter Anderson & Corroon LLP were John J. Quinn, III, Esq., the Authority's Counsel, and Margaret M. Grillet. In attendance in connection with the Christiana Care Health Services, Inc. ("CCHS" or the "Hospital") Application for Revenue Bond Financing (the "Application") were Emilie R. Ninan, Esq., Ballard Spahr LLP, Bond Counsel and Borrower's Counsel; and Thomas L. Corrigan, CFO, and Kathleen M. Collins, Treasurer, CCHS. Jeremy Bass, Public Financial Management, Inc. ("PFM"), Financial Advisor to the Authority, participated by telephone.

Accountant Emilio Rana, representing McBride Shopa & Co., the Authority's auditors (the "Auditors"), was also present by invitation of the Authority.

The meeting and the public hearings to be conducted at the meeting were duly noticed. No members of the public were in attendance.

Mr. Eriksen called the meeting to order at 10:14 a.m.

Consideration of the Christiana Care Health Services, Inc. Application for Revenue Bond Financing

The public hearing was then opened with respect to the request by CCHS to the Authority to issue revenue bonds in the aggregate principal amount not to exceed \$30,000,000.

Mr. Eriksen welcomed the representatives of CCHS and asked Ms. Ninan to summarize the new bond issuance that the Authority will be asked to consider and approve.

Ms. Ninan explained that the Application is for an issuance of \$30 million in Series 2009 Bonds to refund the Hospital's outstanding Series 1998 Bonds, issued by the Authority, for interest rate savings. The issuance will be privately placed with JPMorgan Chase Bank, N.A. ("JPMorgan") for its own account and will be offered at a fixed rate. The amortization and maturity of the Series 2009 Bonds will be the same as the terms for the Series 1998 Bonds.

Mr. Riddle asked for an update on the financial status of CCHS in view of the Series 2008 Bonds issued approximately one year ago.

Mr. Corrigan reminded the Authority that \$80 million was borrowed by issuance of the Authority's Series 2008 Bonds and confirmed that \$20 million of those proceeds were used to purchase land and \$60 million of those proceeds were used to repay a Hospital loan obligation to PNC Bank. Mr. Corrigan stated that CCHS is also considering another project slated for 2010 that, in the aggregate, will require new Authority bond issuances of approximately \$200 million in 2010.

Dr. Palley asked the CCHS representatives to provide a more detailed description of the current proposal. He also asked for clarification on the degree of integration CCHS has within its departments that offer other health procedures, specifically preventive care. Dr. Palley noted that true cost savings in health care will be realized then there is integration with other providers.

Mr. Corrigan admitted that CCHS's current systems are not fully integrated with other health service systems, but noted that there is some integration with respect to particular physicians. Furthermore, the Hospital's information systems department is fairly well integrated and CCHS is expending additional funds on that department to implement a system to coordinate patient registration.

Dr. Palley suggested that the integration system be expanded to include hospitals outside of Delaware and the Christiana Care system.

Mr. Eriksen noted that the integration issues facing health care providers are similar to the integration issues the banking industry faced years ago.

Ms. Ninan added that CCHS has a commitment letter from JPMorgan for 2.95% fixed rate bonds. Most of the terms, including the debt service coverage ratio, are the same as for the Series 1998 Bonds being refunded, but some of the covenants for the new bond issue are more strict.

Mr. Corrigan and Ms. Collins added that they are pleased with the interest rate that CCHS obtained under the JPMorgan commitment letter, which is locked through the end of December. They noted that this is a true fixed rate transaction with no swap agreements. The amortization schedule for the new bonds will match the Series 1998 Bonds.

Ms. More asked if there are any additional or hidden fees associated with this proposed issue.

Mr. Corrigan and Ms. Collins confirmed that there are no other fees except for JPMorgan's legal costs and noted that those costs are capped. They also advised the Authority that CCHS sought four other bids for this issue as follows:

Wilmington Trust who declined to bid; TD Bank; PNC Bank; and Citizens Bank. The latter three banks all offered a variable rate structure with a swap arrangement.

Discussions ensued and it was generally agreed that a fixed rate structure would be the preferred choice, JPMorgan being the only bank to offer a fixed rate.

At the request of Mr. Quinn, Mr. Bass (participating by telephone) addressed the group, noting that CCHS has a dominant market share of the health care services in the area. Approximately 90% of its revenue comes from third parties and the operating results continue to be strong through 2009. Non-operating revenue has declined substantially but CCHS has a strong cash position, with 209 days of liquidity as of June 30, 2009 (as compared to the loan covenants which require a cash reserve of 75 days). Mr. Bass reported that the Hospital's debt service coverage is very strong and noted that the proposed financing will provide interest rate savings. Mr. Bass, on behalf of PFM, recommended that the Authority give favorable consideration to the Application.

Mr. Riddle asked for information regarding the Hospital's financial projections. Mr. Corrigan, with supporting input from Mr. Bass, stated that the Hospital's projections are conservative.

In response to a question from Dr. Palley, Ms. Ninan explained that the broad project description language in the Application is typically used to allow for flexibility between the time the Application is prepared and submitted to the Authority and time of the actual meeting with the Authority. In this case, Ms. Ninan assured the Members that that this particular project is not expected to be modified beyond that which was discussed at the present meeting.

Dr. Palley again urged CCHS to evaluate and integrate its systems to include preventive health care services so that there may be a future societal benefit of reduced need for surgeries.

Mr. Corrigan assured Dr. Palley that CCHS is focusing on preventive care and has been hiring more primary care physicians, which are not necessarily profitable for the Hospital but which are important to patient care.

Mr. Quinn asked the Hospital's representatives to confirm that the matters being presented to the Authority for approval today were according to the scope of financing and activity as presented by the Hospital at this meeting.

In response, Mr. Corrigan assured the Authority that there is no reason for this contemplated transaction with JPMorgan to falter and confirmed that CCHS is not expecting to seek alternative financing if JPMorgan should somehow pull out. Ms. Ninan added that the time constraints for this particular financing are restrictive and would make finding alternative financing unlikely. The financing is scheduled to close in mid-December. Ms. Ninan assured the Authority that the scope of the resolutions that will be considered by the Authority today for adoption is accurate and complete.

Mr. Quinn then summarized the proposed resolutions to approve the transaction and bond issuance. Mr. Eriksen suggested that the resolution contain language that it is a bank qualified loan, similar to the language in the "whereas" clause of the draft resolution. Mr. Quinn agreed to include that language in the resolution as will be considered by the Authority today.

Mr. Quinn, Counsel to the Authority, then presented the resolution entitled "A BOND RESOLUTION APPROVING A PLAN OF FINANCING AND THE EXECUTION AND DELIVERY OF CERTAIN AGREEMENTS, APPOINTING A COMMITTEE TO APPROVE THE FINAL TERMS OF ONE OR MORE SERIES OF BONDS AND PROVIDING FOR OTHER MATTERS IN CONNECTION THEREWITH", a copy of which is attached hereto.

After discussion among the Members of the Authority and upon motion made by Mr. Riddle and seconded by Ms. More, the resolution in the form attached was unanimously approved by the Authority Members in attendance.

At 11:05 a.m., those in attendance representing CCHS thanked the Members for their consideration and support and exited the meeting room.

The Authority Members in attendance then turned to other Authority matters not pertaining to the Application.

Financial Statements for the Year ended December 31, 2008

Mr. Rana presented the Authority's financial statements for the year ending December 31, 2008. The financial information used in the Authority's statements is compiled from data from all of the borrowing hospitals. The Members had previously received a draft version of the financial statements, and Mr. Rana and Mr. Quinn advised the Members that there had been no significant or substantive changes from the draft version.

Mr. Eriksen opened the discussions to Members' questions and comments. Mr. Rana responded to various questions to the Members' satisfaction.

In response to a question from Mr. Eriksen, Mr. Rana confirmed that there were no relevant problems obtaining financial data from the hospitals this year. This was in part due to the already established contacts Mr. Rana had made with each hospital. Mr. Rana indicated that the information provided by the hospitals is sufficient for him to be able to confirm that bond proceeds are being used as intended by each hospital. There is a certain assumption that Trustees of a hospital would reveal any inconsistencies in the hospitals' financial situations or if funds were being used in ways not intended should that information come to the Trustees' attention. Also, the Authority's auditors are relying on the hospitals' auditors to confirm the accuracy of hospital financial information.

Mr. Rana noted that the Authority's financial statements were prepared in accordance with United States GAAP and that the Auditor's Report opines that the financial statements fairly present the financial position of the Authority.

Dr. Palley moved that the financial statements as presented by Mr. Rana be approved. Mr. Neaton seconded, and the Members in attendance unanimously approved the Authority's Financial Statements for the year ended December 31, 2008.

Fiscal Year

The Members discussed the possible change of the Authority's fiscal year to June 30. Mr. Quinn noted that the change may make the Authority's financial auditing and reporting process more efficient, and also that it was his understanding that the State would prefer the June 30 fiscal year. Mr. Quinn noted that the Authority's statute sets the fiscal year as a calendar year end and, therefore, the statute would have to be amended by legislative action. Mr. Quinn reported that based on his prior discussions with Stephanie Scola, Director of Bond Finance, this change can be accommodated.

Mr. Quinn stated that a short year will be created as a result of a change to a June 30 fiscal year, and that the Authority would likely incur additional or accelerated fees for auditing that short period. Mr. Rana advised the Authority that in his opinion the cost of auditing and preparing the financial statements will be slightly reduced in years following the short year. Mr. Eriksen asked Mr. Quinn to determine if the State would consider having one 18-month audit period instead of a short period. Mr. Quinn agreed to follow up on that specific question and the change in fiscal year generally.

At the request of the Members, Mr. Quinn stated that he would send a written communication to the hospitals advising them of a possible change in the Authority's fiscal year so that they would have the opportunity to comment on the proposed change. [Counsel's post-meeting note: Mr. Quinn sent a written communication to the hospitals on March 4, 2010. No hospitals commented on the change in fiscal year.]

Minutes from Authority Meetings on September 10, 2009 and October 1, 2009

Mr. Eriksen asked Mr. Quinn to briefly summarize the minutes from the Authority's September 10, 2009 and October 1, 2009 meetings. Mr. Eriksen asked if there were any changes to be made to the minutes. There were no questions or comments.

Upon Mr. Eriksen's request, Dr. Palley moved that the minutes of both the September 10, 2009 meeting and the October 1, 2009 meeting be approved as presented. Ms. More seconded the motion. The Members in attendance unanimously approved both sets of minutes as presented.

Governor's Report

Mr. Quinn presented a draft of the Authority's Annual Report to the Governor for the Members' review and approval. Mr. Quinn confirmed that the Authority's 2008 Financial Statements would be finalized and enclosed with the Annual Report.

Mr. Riddle moved that the Annual Report be approved. Mr. Neaton seconded the motion, and the Members in attendance unanimously approved the sending of the Annual Report to the Governor together with the Audited Financial Statements for 2008. [Counsel's post-meeting note: said Annual Report and the 2008 Financial Statements were sent to the Governor on or about December 4, 2009.]

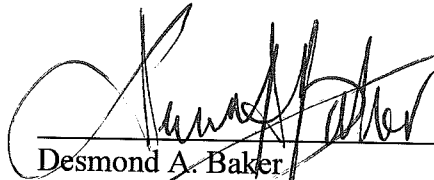
Other Business

The Members entered into a discussion regarding the fact that the recent bond applications received from *Bayhealth* and Christiana Care did not include a satisfactory level of detail in the Project Description section of the application. Mr. Quinn agreed to advise future applicants that there should be a more-detailed discussion and stated that he would evaluate the application's Project Description section to see if any changes are appropriate. [Counsel's post-meeting note: the application form has been revised and now explicitly requires "sufficient detail for the Authority to understand the scope of the project and how it relates to any applicable Certificate of Public Review Decision or Certificate of Public Review Report" and advises the applicant that "an application containing an inadequate description of the project will be returned to the applicant, which will delay processing of the application and consideration of the request for financing."]

There being no further business to come before the meeting, the meeting of the Members of the Delaware Health Facilities Authority was duly adjourned at approximately 11:45 a.m.

CERTIFICATION

I, Desmond A. Baker, hereby certify that the foregoing is a true and correct copy of the Minutes of Special Meeting of the Delaware Health Facilities Authority held on November 16, 2009.



Desmond A. Baker
Secretary-Treasurer

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